Moving along to the balance-of-payments considerations, about which you have heard, an import surcharge would result in higher U.S. prices, impairing the U.S. ability to export.

A levy high enough to cause a significant decline in imports and comfort U.S. protectionist interests would be unacceptable to America's trading partners, who would take retaliatory measures.

If U.S. costs and prices were rising so rapidly that exports were seriously impaired and imports greatly encouraged, which is not now the case in our view, it would be better diplomatically to seek revaluation of strong foreign currencies rather than an increase in tariffs or the imposition of a general import surcharge.

With respect to the Trade Expansion Act of 1968, we recommend that the President's negotiating authority be extended, that adjustment assistance should be made easier to obtain without easing the criteria for adjustment of tariffs and, finally, that the American selling price and the final list, which is not incorporated in the bill at present, should be abolished.

Furthermore, we believe that multilateral trade principles should be maintained.

Moving along, Mr. Chairman, to the steel quota bills: During the past several years, the largest dollar earner for Japan in exporting to the United States has been steel mill products. Naturally, our council is, therefore, much concerned about the Iron and Steel Orderly Trade Act and the Iron Ore, Iron, and Steel Orderly Trade Act.

As all here are aware, imports of steel mill products into the United States were inconsequential until the lengthy steel strike of 1959.

Therefore, we are confining our review of the U.S. steel market situation to the intervening years, 1960 to date. If the U.S. steel industry is having difficulties, this is the only time in which growing imports could have been a contributing factor.

Obviously, the U.S. steel industry has not seen such a rate of growth in recent years comparable to that of newer and more dynamic industries—electronics, computer, jet aircraft, et cetera.

However, I direct your attention to table 1 attached to my written statement which shows the following: From 1960 to 1967, according to the Federal Trade Commission and the Securities and Exchange Commission, annual steel industry sales have increased by $5.6 billion; annual net profits have increased by $220 million; liquid position, which is current assets minus current liabilities, has improved by $1.2 billion; earned surplus and surplus reserves have increased by $2.1 billion; current assets have increased by $2.4 billion; investment in property, plant, and equipment, after depreciation, has increased by $3.2 billion; total assets have increased by $6 billion; and net worth or stockholders' equity, which is total assets minus total liabilities, has increased by $2.3 billion.

Despite the modest and we believe short-lived downturn in the overall trend in 1967, these figures do not seem to portray an industry materially damaged by foreign competition.

For most modern economists an even more accurate measurement of the health of an industry is its annual net cash flow, that is, the sum of its retained profits, after payment of dividends, plus additions to reserves attributed to depreciation and depletion.